

Message Text

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ACTION NEA-10

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SUBJECT: NEW LAW TO REGULATE COMMISSIONS PAID TO AGENTS OF
SUPPLIERS OF MILITARY GOODS

REF: 75 TEL AVIV 7252

1. ON JANUARY 19 HAARETZ REPORTED THAT ZVI ALON, HEAD OF THE MINISTRY OF DEFENSE'S (MOD) PURCHASING ADMINISTRATION, HAD HELD A PRESS CONFERENCE TO EXPLAIN THE NEW LAW, PASSED DECEMBER 20, 1976, AND COMING INTO FORCE MARCH 20, REGULATING COMMISSIONS PAID TO AGENTS OF SUPPLIERS OF MILITARY GOODS. ACCORDING TO ALON, AGENTS SELLING EQUIPMENT TO THE IDF AND DEFENSE AGENCIES WILL RECEIVE COMMISSIONS RANGING FROM .5 PER CENT TO 4.5 PER CENT COMPARED TO THE TWO PER CENT TO 18 PER CENT THEY NOW RECEIVE.

2. THE ARTICLE REPORTED THAT THE LAW WILL ALLOW COMMISSIONS TO BE PAID TO AGENTS BY FOREIGN MANUFACTURERS ONLY WITH THE APPROVAL OF THE MINISTRY OF DEFENSE. RATES OF COMMISSIONS WILL BE FIXED BY THE MINISTRY. A FIRST GROUP OF MILITARY ITEMS WILL INCLUDE WEAPONS SYSTEMS, ARMORED VEHICLES, MISSILES, AMMUNITION-LOADING EQUIPMENT, AND FIREARMS, AND ALON STATED THAT MINISTRY POLICY WILL BE TO FORBID AGENTS OF THESE GOODS TO RECEIVE ANY COMMISSIONS.
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SION FROM ABROAD (EVEN THOUGH THIS IS NOT SPELLED OUT IN THE LAW). A SECOND GROUP WILL INCLUDE AIRCRAFT, VESSELS, COMMUNICATIONS AND OPTICAL EQUIPMENT, EXPLOSIVES, ELECTRONIC EQUIPMENT, VEHICLES (OTHER THAN ARMORED COMBAT), PARACHUTE EQUIPMENT, WEBGEAR, AND CIVIL GUARD EQUIPMENT. THE LAW ALSO COVERS COMMISSIONS FOR PARTS, SPARE PARTS, ACCESSORIES AND APPLIANCES OF SUCH MILITARY EQUIPMENT,

MATERIALS FOR THE MANUFACTURING OR ASSEMBLYING, INCLUDING THE SERVICING THEREOF. COMMISSIONS WILL BE REGULATED IF THE LATTER ITEMS ARE MANUFACTURED FOR THE IDF ACCORDING TO MILITARY SPECIFICATIONS. THE LEVEL OF COMMISSIONS WILL NOT BE CONTROLLED ON A THIRD CATEGORY CONSISTING OF CIVILIAN GOODS SUCH AS CLOTHING AND PASSENGER VEHICLES.

3. THE LAW SPECIFIES THAT EACH OF THE 250 AGENTS WORKING WITH THE MOD SHOULD REQUEST APPROVAL OF COMMISSIONS FROM THE DEPUTY HEAD OF THE MOD PURCHASING ADMINISTRATION. LATTER WILL EXAMINE EACH REQUEST AND FIX THE RATE OF COMMISSION RANGING FROM .5 PER CENT TO 4.5 PER CENT. THE EXACT SCHEDULE IS NOW BEING DISCUSSED BY THE MINISTRIES OF DEFENSE AND FINANCE. TRANSACTIONS WORTH MORE THAN A MILLION DOLLARS WILL BE HANDLED SEPARATELY, AND A MINIMAL COMMISSION OF .1 PERCENT TO .5 PER CENT WILL BE ALLOWED. A DISSATISFIED AGENT WILL HAVE RECOURSE TO AN APPEALS COMMITTEE HEADED BY A JUDGE OF THE COURT OF ORIGINAL JURISDICTION AND INCLUDING AMONG ITS MEMBERS AT LEAST ONE OTHER PUBLIC REPRESENTATIVE. APPEALS FROM THIS COMMITTEE COULD BE MADE TO THE HIGH COURT OF JUSTICE.

4. ALON AND URIEL GURNI, MOD LEGAL ADVISOR, STATED THAT VIOLATORS OF THE LAW (THOSE RECEIVING COMMISSIONS FROM ABROAD ABOVE THAT PERMITTED BY THE MOD) WILL FACE CRIMINAL CHARGES WITH A MAXIMUM PUNISHMENT OF FIVE YEARS' IMPRISONMENT AND AN IL 200,000 FINE; A COURT ORDER TO TURN OVER THE UNAPPROVED COMMISSION TO THE MOD; AND THE UNCLASSIFIED

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MOD WILL SEEK TO HAVE THE FOREIGN MANUFACTURER BREAK ITS CONNECTIONS WITH THE AGENT. IN ADDITION, THE AGENT WILL BE OPEN TO A LEGAL CLAIM ACCORDING TO SECURITY/ FINANCE REGULATIONS (IF HE DID NOT TRANSFER THE FULL AMOUNT OF THE COMMISSION TO ISRAEL) AND THE INCOME TAX LAW (IF HE DID NOT PAY TAXES ON THE UNAPPROVED COMMISSION).

5. THE PRESS CONTRASTED THE AIM OF THE NEW LAW WITH THE CURRENT SITUATION, IN WHICH AN AGENT IS NOT REQUIRED TO REPORT TO THE MO ON COMMISSIONS RECEIVED. ALON ALSO ADMITTED, IN RESPONSE TO A REPORTER'S QUESTION, THAT THE MOD DID NOT NOW HOW MUCH ISRAELI AGENTS HAD BEEN PAID IN FEES AND COMMISSIONS UNTIL NOW, BUT HE ESTIMATED THAT SUCH SUMS WOULD DECREASE CONSIDERABLY FROM NOW ON.

6. COMMENT: ISRAELI COMMERCIAL AGENTS HAVE OPPOSED THIS LAW FOR TWO YEARS. THEIR PRESENT REACTION TO ITS PASS-

AGE IS ONE OF DISMAY MIXED WITH BELIEF THAT IMPLEMENTATION OF
LAW WILL PROVE UNWORKABLE TO THE GOI PURCHASING MISSIONS.
GREAT CONCERN HAS BEEN EXPRESSED, PARTICULARLY BY ELECTRONIC
COMPONENTS REPRESENTATIVES. THEY FEEL THATPURCHASING
MISSIONS IN U.S. WILL NOT RPT NOT BE CAPABLE OF PROVID-
ING SATISFACTORY SERVICES. EMBASSY WILL POUCH TRANSLA-
TION OF THE LAW TO NEA/IAI.
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